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GULF

TIMES

BUSINESS

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India inflation moderating at a ‘very’ slow pace, says RBI chief

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Qatar LNG shipments partially offset decline in GECF May exports

By Pratap John
Business Editor

Higher LNG exports from Qatar and another major producer helped partially offset decline in LNG exports by 2.6% y-o-y among GECF member countries last month, a report has shown. The Doha-based Gas Exporting Countries Forum (GECF)'s members accounted for 16.28mn tonnes in May, GECF said in its latest monthly report. In May 2024, there was a 2.6% y-o-y decline in LNG exports from GECF member countries and observers, amounting to 16.28mn tonnes. This marks the second consecutive monthly decline compared to the previous year. The decrease in LNG exports was mainly led by Egypt, Malaysia, and Trinidad and Tobago, although this was partially offset by higher LNG exports from Qatar and Russia. Between January and May this year, the total LNG exports from GECF member countries experienced a marginal growth

of 0.4% y-o-y, reaching 82.27mn tonnes. Lower feedgas availability for LNG exports resulted in the decline of LNG exports from Egypt and Trinidad and Tobago. Malaysia experienced a reduction in LNG exports due to an unplanned outage, caused by a power failure, at the Bintulu LNG facility. Conversely, the increase in Qatar's LNG exports was facilitated by reduced maintenance activity at the QatarEnergy LNG's facility compared to the previous year. Additionally, higher LNG exports from the Vysotsk and Yamal LNG facilities contributed to Russia's increased exports. In May, global LNG exports saw a marginal increase of 1.8% (0.57mn tonnes) y-o-y, reaching 33.15mn tonnes, which reversed the decline observed in April. This monthly export volume marked a record high last month. The growth in global LNG exports was primarily propelled by non-GECF countries, compensating for the decrease in LNG exports from GECF member countries and reduced LNG reloads. The share of non-GECF countries in

global LNG exports expanded from 51.4% in May 2023 to 53.6% in May this year. Conversely, the shares of GECF member countries and reloads decreased from 47.4% and 1.2%, respectively, to 45.6% and 0.8%. Leading LNG exporters in May were the US, Australia and Qatar. Between January and May, global LNG exports experienced a slight uptick of 0.9%.

The increase in Qatar's LNG exports was facilitated by reduced maintenance activity at the QatarEnergy LNG facility compared to the previous year

In May, there were 497 LNG cargoes exported, which was 3% lower than the number of shipments in the previous month, and 2% down than one year ago, GECF noted. From the start of the year, there have been a total of 2,657 cargoes exported, an increase of just eight deliveries compared with the same period in 2023. From January to May, there were 15 more cargoes exported by Russia compared

with the same period of 2023, while Indonesia delivered 11 more. Mozambique increased its shipments by 46%, followed by Norway by 27%. According to GECF, the charter market for LNG carriers has been relatively stable since January 2024. In May, the monthly average spot charter rate for steam turbine LNG carriers increased slightly by 2% m-o-m, to reach \$25,800 per day. This monthly average charter rate was 13% higher than one year ago but was \$8,100 less than the five-year average price for the month. Similarly, in the other segments of the global LNG carrier fleet, there were small increases in the charter rate observed during this month. The average spot charter rate for TDFE vessels rose by 1% m-o-m to reach \$36,700 per day, while the average spot charter rate for two-stroke vessels increased by 3% m-o-m to reach \$49,100 per day. The shipping market has remained finely balanced in recent months. Just as in the previous month, the daily charter rate for steam turbine vessels was unchanged

for most of May 2024. There was a slight intra-basin arbitrage, which helped to boost charter rates, especially since deliveries between both basins have avoided the Suez and Panama canals in recent months. On the other hand, commissioning of new LNG carriers has placed downward pressure on charter rates. The average price of the shipping fuels was \$590 per tonne in May, which was 6% lower m-o-m, but 9% higher y-o-y. In May, there were small increases in the average LNG carrier spot charter rate, and in the delivered spot LNG prices relative to the previous month, while the cost of LNG shipping fuels declined. As such, the net effect was a very small decrease in the LNG spot shipping costs for steam turbine carriers relative to the previous month, falling by up to \$0.03/mmBtu on certain routes, GECF said. Compared with one year ago, the monthly average spot charter rate, the cost of shipping fuels, and the delivered spot LNG prices were all higher in May 2024, resulting in LNG shipping costs of up to \$0.30/mmBtu higher than May.

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Techno Q

Dedicated Years Your Dedicated Partner

Qatar Electronic Systems Company (Techno Q) QPSC announces the first day of trading of its shares on the Venture Market of the Qatar Stock Exchange

Following the publication of its Listing Prospectus on 6 June 2024, Doha-based Qatar Electronic Systems Company (Techno Q) QPSC has received confirmation from the Qatar Stock Exchange regarding the first day of trading of its shares on the Qatar Stock Exchange Venture Market.

As the region’s leading systems integrator specializing in audiovisual and lighting systems and business solutions, Techno Q will see its first shares trade on the Qatar Stock Exchange Venture Market on the 26 June 2024.

The Company will be listed with the ticker TQES. The ISIN code will be QA0004J80UC0.

The Company offers the following key services:

- AV/ELV services:** Supply, installation and commissioning of audiovisual (AV) and extra low voltage systems. (ELV)
- Business solutions:** Servicing all industries predominantly the hospitality sector including hotels, catering and restaurants through ERP implementation and technical services agreements.
- Lighting systems:** Lighting iconic projects helping to identify lighting needs, problems and opportunities for improvement leading to significant energy saving and cost reduction.
- Support:** Maintenance of AV, ELV and Lighting Systems through short and long-term agreements with private and government entities.

In the financial year 2023, the Company realized consolidated revenues of QAR 269.4 million, at a CAGR of 17.1% over the past 3 years, and net income of QAR 19.7 million.

Some of the key projects the Company achieved over the past 28 years include the design and execution of cutting-edge race electronics for a premier international racing competition in Qatar, the creation and setup of sophisticated security access control systems for a number of football stadiums for a globally recognized sporting event, and the supply and installation of a comprehensive CCTV and Access Control Systems for Qatar’s largest hospital.

For further information and respective details on the Company and its listing, together with the risk factors, please read the Qatar Financial Market Authority approved listing prospectus on www.technoq.com or email investorrelations@technoq.com

Summary of Techno Q’s listing terms

The Company	Qatar Electronic Systems Company (Techno Q) QPSC
Share capital	QAR 84,500,000 comprising 84,500,000 shares with a nominal value of QAR 1.00 per share
Principal activity	Systems integrator specializing in audiovisual, building controls, fire and security systems, lighting, information technology, broadcast, business solution and security system solutions.
Market capitalization	84,500,000 shares at listing price of QAR 2.9 resulting in market capitalization of QAR 245,050,000
Listing terms	84,500,000 shares being listed, representing 100% of the share capital of the Company, at a listing price of QAR 2.9 per share
Reasons for listing	The Founders deem that the listing of the Company’ shares on the Qatar Stock Exchange Venture Market will support their vision of growth and expansion all the while adhering to regulatory requirement and ensure market leading compliance
Pre-conversion shareholding	Al Jaidah Brothers Co. WLL 51.33%, Zeyad Mohamed I Al Jaidah 6.4%, A.latif Mohd I Jaidah 6.4%, Tariq Mohd I Al Jaidah 6.4%, Salah Mohd I Al Jaidah 6.4%, Mohamed Ibrahim M I Al Jaidah 6.4%, Abdulla Mohdshafeea M H Al Ansari 16.67%
Post conversion shareholding	Al Jaidah Brothers Co. WLL 50.0%, Zeyad Mohamed I Al Jaidah 5.0%, A.latif Mohd I Jaidah 5.0%, Tariq Mohd I Al Jaidah 5.0%, Salah Mohd I Al Jaidah 5.0%, Mohamed Ibrahim M I Al Jaidah 5.0%, Abdulla Mohdshafeea M H Al Ansari 15.0%, Other shareholders 10.0%
Lock-up period	Founders may trade in a percentage of shares not exceeding 30% of their shares, so that the tradable shares in the first year after Listing shall not exceed 40% of the total issued and paid-up capital, whereas, the Founders and major Shareholders are prohibited to collectively reduce their percentage of ownership to less than 40% of the issued and paid-up capital until two years have elapsed from the date of Listing.
Ownership limits	Except for the Founders, a shareholder may not own either directly or indirectly mor than 5% of the total shares of the Company. Non-Qatari investors together may not own more than 49% of the total of the Company’s share capital.
Advisors	Listing Advisors: Consulting HAUS LLC Legal Advisors: Eversheds Sutherland (international) LLP and Sharq Law Firm Financial Evaluators: Deloitte & Touche (Qatar) WLL External Auditors: KPMG LLC



Banking needs to be ethical and value-based

By John R Wright

In my last number of articles, I have drawn particular attention to “ethical” issues arising in our banking industry and have drawn the readers’ attention to a number of specific flagrant breaches! What actually is happening here I wonder? Let me go back to the beginning of my tenure in the commercial banking industry some 65 years ago in 1958 as an “apprentice” in the Clydesdale Bank in Edinburgh. In those days, one joined a bank at a very junior level and for several years attended night school to pass the Institute of Bankers examination, really then and only then were you considered to be able to put your foot on the bottom rung of the career ladder! Of course, in those days (in Scotland) many of us “escaped” to join British Overseas Banks in India, the Far East, Africa and Latin America. Even at that time the major Canadian banks also

scoured Scotland for junior level officers to take up positions in Canada – such was the reputation of Scottish banking and its training and more importantly the basic “culture” that was imbued in the junior staff from day one! Nowadays, it is very normal when one is embarking on a leadership programme to discuss the values of the company and indeed really understand if the values are actually understood by the staff and management and if they are not, which is most commonly found! The values are trumpeted on signage on the walls of branches and offices and on stationery, etc but rarely discussed and enforced. In fact, I suspect if you asked the CEOs of many banks what the company’s values were they would have to look them up! In Scottish banking at that time, the values were implicit rather than stated, there was an absolute focus on client confidentiality, it was completely taboo to talk about a client’s business outside of the bank indeed even to ones own family and close friends. A breach of this



would result in instant dismal. Ethical behaviour was enforced at all times and a good basic understanding of ethics was inculcated in all concerned. Professional standards were set and rigidly adhered

to, in many cases we joked about some of the behaviours we had to adopt to comply with what was a pretty rigid system, however, these have never been forgotten and have stood us all in very good stead through our careers. In my case, longer than most as I started early and am still a board member of a bank! So what changed? Gradually as we moved into the late 1970’s and early 1980’s it became a fad that university graduates would be recruited into the industry, such individuals were usually given a few months of basic training and appointed into managerial positions from which they grew up into senior and executive roles. In many cases they missed the opportunity to have the behaviours of the 1950’s drummed into them as apprentices, additionally they very often did not sit their banking exams and therefore the traditions of commercial banking were greatly watered down. This trend persisted thereafter and now it’s virtually impossible to attain a managerial position in a bank without a degree.

I wonder if they are better run than they were 50 years ago, I honestly doubt it! I think the traditional way of banking, doing business, behaving with proprietary with one’s customers and building relationships that were sustainable and based on a mutual appreciation of shared values has gone forever. The consequences of all of this can be quite severe, witness the global financial crisis in 2008/2009, which was largely brought about by greed and unethical behaviour on the part of the management of certain banks and their respective treasury functions. This almost brought the global industry to its knees! Is there any remedy? I do think that adherence to the teachings of the Chartered Institute of Bankers on this subject and the enforcement thereof by the employers might actually help, but this requires something of a leap of faith!

■ Glasgow-based John R Wright is an academic, veteran banker and a former CEO of Oman International Bank and Gulf Bank, Kuwait.

Inflation in India is moderating at a ‘very’ slow pace, says Das

Bloomberg
Mumbai

India’s inflation continues to be sticky, making it premature for the central bank to discuss a change in its monetary policy stance, Reserve Bank Governor Shaktikanta Das said yesterday. Even though core inflation reached a historical low, food prices remain high due to supply-side factors, Das said at an event by ET NOW television in Mumbai. “This last mile of disinflation journey is proving very sticky, arduous and very slow,” he said, adding the central bank will remain watchful. The Reserve Bank of India’s monetary policy committee left the key benchmark rate unchanged in its

meeting earlier this month. It also stuck to its relatively hawkish stance of “withdrawal of accommodation” to contain inflation. “At the current juncture we thought it’s most appropriate to avoid any kind of adventurism and stick to the path of inflation that we had earlier laid out,” Das said. “It will be too premature to talk in terms of changing the stance. We need more evidence that inflation should moderate, and perhaps moderate faster.” While inflation is easing, at 4.75% in May it is still above the central bank’s target 4%. India’s budget due next month will be closely watched to gauge if Prime Minister Narendra Modi pursues populist policies after his party lost its majority in national elections, leaving him to rely on allies to form the government.

The economy will continue to see strong growth in the current fiscal year on the back of a revival in rural demand and private investment, Das said. The robust growth is also supplemented by a strong external sector, growing urban demand and good monsoon expectations. The Indian economy beat expectations to grow at over 8% in the financial year 2023-24 that ended March. The RBI has raised its economic growth projection for the current fiscal year through March 2025 to 7.2% from 7% earlier. “The growth-inflation dynamic in India is very well placed. There is enough room for us to focus clearly on inflation, there is also enough room for economic growth to pick up,” Das said.



A vendor counts Indian rupee notes at a roadside shop in Mumbai (file). The Indian economy beat expectations to grow at over 8% in the financial year 2023-24 that ended March. The RBI has raised its economic growth projection for the current fiscal year through March 2025 to 7.2% from 7% earlier.

Senior Fed official optimistic about inflation fight progress

AFP
Washington

A senior Federal Reserve official said yesterday that she is optimistic about the US central bank’s progress against inflation, and expects it will be appropriate to start interest rate cuts this year. The Fed has hiked interest rates to a two-decade high as it looks to bring inflation down toward its long-term target of 2%. It appeared to be winning the fight until the first quarter of this year, when progress stalled, prompting Fed policymakers to dial back the number of interest rate cuts pencilled in this year from three to just one. But speaking yesterday, Fed governor Ariana Kugler said she remained “optimistic that improving supply and cooling demand will support continued disinflation.” “I believe economic conditions are moving in the right direction,” she told an audience in Washington in prepared remarks. “If the economy evolves as I am expecting, it will likely become appropriate to begin easing policy sometime later this year,” added Kugler, who is a permanent member of the US central bank’s rate-setting committee.

Kugler said expectations about inflation over the long run “have remained well anchored,” while there was evidence that lower-income consumers were pulling back on purchases, causing some businesses to lower their prices. Businesses have also been reporting a slowdown in the costs they face, including an easing in the rate of wage increases, “consistent with a labour market where supply and demand are coming into better balance,” she added. The Fed has a dual mandate to tackle both inflation and unemployment, and has been heavily focused on bringing down inflation, even as the labour market remained resilient. Recent data have pointed to a slight easing in some corners of the labour market – although the unemployment rate has remained close to historic lows. Kugler said she was also optimistic about productivity growth, which has the potential to boost economic growth without fuelling inflation, and added that she believed monetary policy was “sufficiently restrictive” to help cool down the US economy. Against this backdrop, she reiterated her previous expectation that it would become appropriate to cut rates later this year, with the caveat that she would continue to be “guided by the data” in the months ahead.

Huawei weighs app store fees as it surpasses iPhone in China

Huawei Technologies Co is considering taking a cut of in-app purchases on its Harmony mobile operating system, underscoring its growing confidence in competing with Apple Inc in the world’s largest smartphone arena, reports Bloomberg. The Shenzhen-based company is weighing a commission lower than the typical 30% cut that Apple and Alphabet Inc’s Google take for payments made via their mobile stores for things like apps, games, movies and music subscriptions, according to people familiar with the matter. Huawei has kept Harmony OS fee-free until now, as an enticement to bring developers and publishers on board. For games in particular, which account for the majority of mobile app store revenue, Huawei has been discussing a fee of about 20% with developers, the people said. They asked not to be identified as the information is private. Rival Android store operators in China, such as Xiaomi Corp, charge as much as 50% on in-game purchases. Huawei has not yet made a final decision

and its plans could still change, according to the people. Huawei’s imminent move suggests the Chinese tech conglomerate feels it has grown its user and developer base to the point where it can begin collecting rent. The company shifted to its in-house Harmony OS after US sanctions cut it off from working with Google, the proprietor of Android. A Huawei representative said that it is untrue that Huawei is discussing with game developers about a fee of some 20%, without providing details. The envisioned commissions would still place Huawei’s 4-year-old Harmony ecosystem below market competitors. The company has to convince both users and app makers to embrace its third option, after Apple’s iPhone software and Google’s Android, though it has made strong progress over the past year with its return to prominence in China’s premium market. Huawei has seen increased demand for its 5G smartphones after it released the Mate 60 Pro with an advanced China-made chip last year.

Bloomberg QuickTake Q&A

What are meme-stock frenzies and why do they fizzle?

By Bailey Lipschultz

Some stocks are prone to sudden rallies and swift declines, not because their underlying businesses have changed but because of the influence of social media personalities. GameStop Corp reawakened the “meme stock” animal spirits twice since May, spurred by a well-known Reddit user who set off the first frenzy in 2021. A smattering of meme moments this year have caused multibillion-dollar stock moves – and big losses for investors who were late to the trade. **Why do these meme-stock frenzies keep happening?** Meme stocks tend to share several characteristics – including that they catch the internet’s imagination and get promoted on social media by influential retail investors. The posts are often accompanied by images or videos – memes – that incorporate pop culture references. Buying the stocks can be seen as a badge of honour or a way to join a club, with investors cheering on one another to snap up shares. Most meme stocks are brand-name companies that consumers are familiar with – GameStop, AMC Entertainment Holdings Inc, Bed Bath & Beyond Inc (now bankrupt) and Express

Inc (also bankrupt) have all received the dubious distinction; other companies are more obscure, such as Faraday Future Intelligent Electric Inc, which positions itself at the intersection of the AI and electric vehicle trends. They’re also usually stocks that have a large short interest – meaning that professional investors are betting against them – and are often cheap on a per-share basis. **Are meme stocks risky?** Meme stocks are typically listed on exchanges and are very liquid – meaning it’s easy to find ready buyers and sellers – making the risks very real. However, critics point to past manias and highlight the difference between a trade and an investment. For trades, investors will take positions (either bullish or bearish) with a thesis that they can create a relatively quick return that’s worthy of the risk. Plenty of managers have made money by flipping stocks actively and benefitting from market momentum. The goal typically is to efficiently make money on the trade, without holding onto the position for too long. Investments, on the other hand, are typically based on fundamental value. The thinking is that if you believe in a company’s business model and its ability to generate cash and grow, the investment

will in turn create more value over time. Trading meme stocks can be very risky because the reasoning behind buying them has almost nothing to do with the performance or prospects of the underlying business. For instance, GameStop hasn’t had a “buy” rating from an analyst tracked by Bloomberg since January 2021, while AMC’s last Wall Street recommendation came in May of that year before its shares surged. GameStop has lost more than three-quarters of its value from a January intraday high, and AMC is down about 99% from a June 2021 intraday peak. **Why do these flare-ups happen?** The latest meme moments for GameStop were fuelled by Keith Gill, whose Roaring Kitty online alter ego sent the retailer’s shares on a bumpy ride before he disappeared from social media after congressional hearings and lawsuits over the meme-stock frenzy. Gill’s return to social media platforms including X, Reddit and YouTube this spring caused big swings in the stock price. It also enabled the company to issue more stock to raise more than \$3bn. For other meme darlings like Faraday Future, the momentum can be traced to posts on Discord or the popular trader chatroom website StockTwits. The rallies were set off by posts on various online forums promoting views that the stocks

could generate quick returns, drawing in other investors. So-called “Reddit Raiders” mostly flock to brands they recognize. But in addition to names like GameStop and AMC, they also rally around stocks that trade for pennies. **Is all of this legal?** The US Securities and Exchange Commission polices illegal market manipulation, but it has to prove intent. Talking up a stock can be illegal if it’s done by someone seeking to push the price higher and then profit from the momentum, according to Craig Marcus, a partner at Ropes & Gray who co-chairs the law firm’s capital markets group. As it relates to Gill’s promotion of GameStop: “You can disagree with his thesis about the value of the stock, but if all he’s doing is executing on his thesis and not doing manipulative things to profit from that,” it’s difficult to prove illegal manipulation, Marcus said in an interview. The phenomenon of social media influencers driving share swings is relatively new, and its ethics have been hotly debated. Sceptics argue that meme-stock promoters often don’t produce proper disclosures such as the size of their positions in companies, when they trade them and whether they’re paid to endorse stocks. Others argue that promoting investments on social media is similar to activist investors pushing for changes or

short sellers releasing reports targeting companies in order to profit. As Pillsbury partner David Oliwstein, a member of the firm’s corporate investigations and white-collar defence team and a former senior counsel in the SEC’s Market Abuse Unit, put it: “It’s a matter of taking the current fact pattern to prove manipulative intent.” **Why don’t these moments last?** For meme frenzies to last, they need to draw in new investors to the trade, which can in turn help attract other speculators. That combination worked well in 2021, at the height of both the meme-stock mania and pandemic restrictions. Cooped-up investors flush with government stimulus checks treated stock trading apps as a casino. A push into AMC shares in mid-May lasted just two days before the shares slumped, while Faraday Future’s surge from about 4 cents a share to nearly \$4 within a week was undone as the stock crashed back to penny status less than two weeks later. The more recent mini-frenzies have been more fleeting. That’s partly because Wall Street has developed a playbook around the opportunities. The main driver for meme stocks to rally is the rush of the crowd looking to strike out against Wall Street pros, but as AMC and GameStop have shown, the fundamentals will matter sooner or later and at some point the party will end.



BoE losses on QE over 3 times greater than Fed, says analyst

Bloomberg
London

The Bank of England (BoE) is losing over three times more on its quantitative-easing programme than the US Federal Reserve, according to new research that threatens to reignite the political debate over the cost of more than a decade of BoE stimulus.

Christopher Mahon, head of dynamic real return at asset manager Columbia Threadneedle, said losses on the portfolio of government bonds the BoE bought between 2009 and 2021 amount to 4.7% to 4.9% of gross domestic product. That compares with 1.3% to 1.5% at the Fed and 3.2% to 3.4% at the European Central Bank.

In Britain, the deficit is equivalent to about £130bn (\$165bn), all of which must be covered by taxpayers under a guarantee struck in 2009.

The scale of the cost, which starves the government of funds for public services or tax cuts, has dragged the BoE into politics with just weeks to go before the July 4 election. Reform UK, the right-wing challenger to the ruling Conservatives, has pledged to intervene at the BoE to stop the losses and save the state £35bn a year.

At their peak, bonds held by the BoE totalled £895bn, the result of efforts to protect the economy from the global financial crisis and pandemic. QE made a profit for the Treasury £124bn. However, the Treasury spent the money, and now it is losing billions as the BoE seeks to unwind the portfolio.

The losses are being incurred because the interest rate the government pays out on reserves created



The Bank of England building in the City of London. The BoE is losing over three times more on its quantitative-easing programme than the US Federal Reserve, according to new research that threatens to reignite the political debate over the cost of more than a decade of BoE stimulus.

to buy the bonds — Bank Rate — is higher than the coupon income it earns on the securities held in the BoE's Asset Purchase Facility. The central bank is also selling debt at lower prices than it paid for it.

Reform's approach is considered extreme but Mahon said a new government, which is expected to be Labour as the party leads in the polls by over 20 points, "could reenergise the Treasury" and lead to "a different approach" on QE than the current status quo.

"The obvious solution is to adopt central bank norms," he said. The BoE is the only major central bank actively selling bonds, which crystallises losses up front. The Fed and the ECB are instead allowing bonds

to mature. Last month, the Fed slowed the pace of maturities to ensure it does not cause market stress.

Mahon expects the BoE to fall into line with ECB and the Fed by ending active sales in September, when it is due to review the program. He estimates that active sales will cost the government between £5bn and £7bn this year alone.

He expects the bank to argue that doing so is consistent with the start of a rate cutting cycle. The BoE is expected to start reducing rates in the autumn. Active sales are a form of policy tightening, the opposite of rate cuts.

Mahon calculated the valuations by using market values for the bonds at May 31 2024 and

adjusting for gains made in the early years of QE. He had to use a consistent method because the US, eurozone and the UK have different ways of accounting for the losses caused by QE. Britain's is the most transparent.

The deficit is bigger in the UK because the BoE bought both longer-dated bonds, which have lost more of their value, and a greater share of government debt at the peak of the programme, Mahon said.

Responding to the assessment, the BoE pointed to recent comments by Governor Andrew Bailey that "different unwind strategies might affect the timing of the cashflows, but they will not necessarily change the lifetime amount accumulated in the APF"

Asian markets rise with Wall Street

AFP
Hong Kong

Asian and European equities rallied yesterday, tracking another tech-driven record on Wall Street, while investors awaited fresh US economic data to get a better handle on the outlook for inflation.

In Tokyo, the Nikkei 225 closed up 1.0% to 38,482.11 points; Hong Kong — Hang Seng Index ended down 0.1% to 17,915.55 points and Shanghai Composite closed up 0.5% to 3,030.25 points yesterday.

With few major catalysts to drive business, the thoughts of Federal Reserve officials this week will be parsed for an idea about their plans for interest rates after lowering their guidance for how many cuts they would make this year.

Traders are also keeping an eye on developments in France, with fears growing that a snap legislative election called by President Emmanuel Macron could see right-wing parties succeed and cause political turmoil in the European Union.

The mood on trading floors was generally upbeat after the S&P 500 and Nasdaq chalked more record closes thanks to continued buying of tech titans including Apple, Intel and Microsoft owing to optimism over artificial intelligence.

And analysts were confident markets were well placed for more gains owing to the expected interest rate cuts and strong earnings.

Asian investors extended

the buying, with Tokyo and Taipei up more than 1%, while there were also healthy gains in Shanghai, Sydney, Singapore, Mumbai, Bangkok, Seoul and Wellington. However, Hong Kong reversed early gains to fall into the red.

Frankfurt and Paris extended Monday's advance after last week's sell-off fuelled by the uncertainty in Europe. London was also higher.

Investors will be keeping an eye on US retail sales, business inventories and industrial production data Tuesday, which will provide the latest snapshot of the economy.

On Monday, Philadelphia Fed president Patrick Harker said he saw one rate cut this year but would make his decision based on incoming data.

"If all of it happens to be as forecasted, I think one rate cut would be appropriate by year's end," he said in comments prepared for an event in Philadelphia.

"Indeed, I see two cuts, or none, for this year as quite possible if the data break one way or another. So, again, we will remain data-dependent." He added that the current rate, which is at a two-decade high "will continue to serve us well for a bit longer, holding us in restrictive territory to bring inflation back to target and mitigate upside risks".

His remarks came after Minneapolis Fed chief Neel Kashkari said at the weekend that officials need not rush to loosen policy, while his Cleveland counterpart Loretta Mester remained concerned that inflation could still pick back up.

AQR hails comeback of convertible arbitrage in era of high rates

Bloomberg
New York

AQR Capital Management says the resurgence of a niche strategy riding debt that can convert into equity has room to run, as a trade that was famously routed during the financial crisis enjoys a big comeback.

The \$109bn quant firm co-founded by Cliff Asness reckons the latest revival of convertible arbitrage, which seeks to capitalise on price discrepancies between convertible bonds and their underlying stock, will gather pace amid a wave of new issuance in the higher-for-longer interest rate regime. The trade has overtaken merger arbitrage as the largest strategy exposure in the \$1.9bn AQR Diversified Arbitrage Fund.

Convertible bonds start their life as low-interest notes but can turn into equities if share prices go high enough, and a typical arbitrage approach would take a long position in the debt and a short position on the

stock. If the equity price falls then investors profit from the short, but if it rises past a certain level they can convert the bond when it matures.

Hedge funds have been adding cash to the strategy in recent months as companies increasingly turn to the hybrid instruments, which typically cost borrowers less than conventional debt. This broadening base of issuers, a looming wall of maturities and a slew of corporate events are all presenting new ways to profit from the trade, according to Greenwich, Connecticut-based AQR.

"It's really the expansion of the opportunity set that gives us the reason to keep adding exposure," said Josh Lavan, managing director of convertible bond strategies for AQR Arbitrage. "We saw almost \$20bn convertible bond issuance in May alone and June has gone off to a great start."

In addition to new borrowers arriving, a stack of convertibles issued at rock-bottom yields during the pandemic are also about to expire. That



often means companies buying back their existing debt at a premium to the market price, or offering holders favourable terms in a new issue.

A glut of sales can also weaken

prices, creating attractive entry points for arbitrageurs. US convertible bonds with a face value of about \$115bn, or about 43% of the outstanding total, are set to mature between

now and 2026, according to data compiled by Bloomberg.

Corporate events like takeovers and bankruptcies provide additional opportunities. Cisco Systems Inc's deal to buy software company Splunk Inc for \$28bn, announced last year, triggered a so-called takeover protection embedded in Splunk's convertible bonds. That allowed holders to tender their notes back to the company at par.

The September takeover proposal immediately boosted the price of the convertible bonds expiring 2027 from the mid-80-cent range to the mid-90 cents, and the debt continued to climb as the deal approached its March closing. Meanwhile, the market is seeing more issuers enter the space that also have tradable conventional debt, thereby increasing the capital structure arbitrage possibilities, Lavan said.

"Your option is not just buying a billion dollars of converts and only shorting equity," Lavan said. "You could have a really diversified set

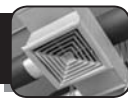
of sub-strategies. That's the biggest reason why you've seen hedge funds growing in the space."

The boom is the latest revival for convertible arbitrage, and is a far cry from the depths of the financial crisis when the strategy imploded in the wake of the Lehman Brothers collapse. In a paper published by the CFA Institute shortly after, associates at AQR said the trade handed investors losses of 34% in 2008 as financing was withdrawn from the market, leaving arbitrageurs effectively stranded.

Convertible arbitrage long positions accounted for around 45% of the AQR Diversified Arbitrage Fund's net assets in the first quarter, compared to about one third in June last year.

The fund has returned 0.5% in 2024, and 4.1% in the past year, according to data compiled by Bloomberg. Overall, Nasdaq eVestment data show convertible arbitrage strategies attracted inflows of more than \$700 million this year through April, when event-driven funds saw more than \$8bn exit.

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Commercial Bank 'reinforces commitment' to developing Qatari nationals and cultivating future leaders

Commercial Bank is steadfast in its dedication to fostering the skills and leadership potential of Qatari nationals, aligning with the Qatar National Vision 2030. A leader in innovative digital banking solutions in Qatar, Commercial Bank continues to invest in comprehensive training programmes and strategic appointments, reinforcing its commitment to national talent development and leadership succession.

As part of Commercial Bank's commitment to the development and promotion of national talents to senior leadership positions, the bank has appointed Sheikh Ali Abdulla al-Thani as the assistant general manager (AGM) and head of Government and Public Sector.

Sheikh Ali's promotion is a testament to his exceptional capabilities and dedication. He will now oversee the Government and Public Sector team, ensuring robust relations and strategic growth within this critical segment.

In another notable leadership development, Hamad al-Shahri has been appointed as the general manager of Commercial Bank Financial Services (CBFS).

Al-Shahri will spearhead the strategic growth of the bank's financial services portfolio, ensuring CBFS remains the brokerage house of choice for our clients. His extensive experience and proven track record in the banking sector make him a great asset to the leadership team. Commercial Bank appointed Nasser al-Sharshani as director of Premium Banking. With his extensive expertise and proven track record in the banking sector, al-Sharshani brings a wealth of knowledge and insights that will undoubtedly add significant value to our Premium Banking division.

Additionally, since the beginning of 2024, Commercial Bank has promoted Mohamed Maqbool to unit head, Public Sector Relations; Hassan Alhayki and Moza al-Malki to legal managers.

"With their expertise and skills, Mohamed, Hassan, and Moza are well-positioned to drive further development in their respective areas, contributing to the bank's overall success," Commercial Bank said. Commenting on the bank's strategic focus, Khalifa al-Rayes, executive general manager and chief human capital officer at Commercial Bank said: "Our nationalisation strategy is thoroughly designed to align with Qatar National Vision 2030. We are committed to cultivating a high-performance culture that nurtures the growth of Qatari nationals, preparing them to take on leadership roles within the bank. This approach ensures we are not only contributing to the national workforce but also driving the bank's success through local talent."

Mohamed al-Hammadi, head, National Talent Development at Commercial Bank, elaborated on the bank's training programmes: "At Commercial Bank, we view nationalisation as an ecosystem. Our focus is on the quality of talent, ensuring



our Qatari staff are equipped with the skills and knowledge to excel. Our development programmes are comprehensive, offering numerous opportunities for career advancement and retention, all aimed at

shaping a high-calibre workforce that drives business success and market innovation." Commercial Bank's efforts in national talent development have not gone unnoticed. The bank was recognised at the 19th



meeting of the GCC Ministers and Heads of Civil Service and the 9th Meeting of the Committee with the Undersecretaries of the Ministries of Social Development of the GCC last year.

This recognition underscores the bank's significant contributions to job localisation and its role as a leader in private sector nationalisation efforts within the GCC region.

US retail sales rise less than expected in May

Reuters
Washington

US retail sales barely rose in May and data for the prior month was revised significantly lower, suggesting that economic activity remained lacklustre in the second quarter.

Inflation and higher interest rates are forcing households to prioritize essentials and cut back on discretionary spending. Last month's less-than-expected increase in retail sales bolstered economists' expectations that the Federal Reserve could still start cutting interest rates in September.

US central bank officials last week saw the anticipated rate cut delayed to perhaps as late as December.

"Maybe households aren't quite as impervious to higher interest rates as we were beginning to believe," said Paul Ashworth, chief North America economist at Capital Economics. "Admittedly, we don't expect a full-blown slump in consumption but, at the margin, even a modest slowdown in consumption growth and consequently GDP growth too could be enough to tip a finely balanced Fed in favour of a rate cut in September." Retail sales rose 0.1% last month after a downwardly revised 0.2% drop in April, the Commerce Department's Census Bureau

said yesterday. Retail sales were previously reported to have been unchanged in April. Economists polled by Reuters had forecast retail sales, which are mostly goods and are not adjusted for inflation, gaining 0.3% in May.

Nonetheless, the trend in sales growth has been slowing also as banks are tightening access to credit against the backdrop of lower income borrowers increasingly struggling to keep up with their loan payments.

Though the labour market remains on a solid footing, it is becoming a bit difficult for people who lose their jobs to quickly find new work and wage increases are moderating.

Opportunities rife for Qatar-Sweden economic ties, says Swedish envoy

By Peter Alagos
Business Reporter

Qatar has abundant opportunities for Swedish companies to contribute to the Gulf nation's ambitious goals to position itself as a regional hub for sports, tourism, and mega-events, Swedish ambassador Gautam Bhattacharyya has said. Citing the successful hosting of the 2022 FIFA World Cup, Bhattacharyya emphasised Swedish telecom giant Ericsson's successful 5G rollout during the global sporting event. "This underscores how the company assured the technical backbone during the football matches. We also had a Swedish firm providing the state-of-the-art pool for the World Aquatics Championships that Doha recently hosted," he said.

Beyond infrastructure, the ambassador emphasised that people-to-people ties are flourishing through the sports arena: "Sweden is a great sporting nation. And Swedish experts are working in Qatar across football, table tennis, horse riding, and more. Swedish teams visit here frequently for the country's training camps, leveraging Qatar's world-class facilities." Similarly, Bhattacharyya lauded Aspetar, a world-leading specialised orthopaedic and sports medicine hospital headquartered in Doha and the first of its kind in the Middle East. Under Aspetar's elite athlete healthcare services, the ambassador said Swedish national level athletes regularly receive world-class treatment and rehabilitation there. "Sweden is also well-known for sports therapy and there is further scope for collaboration in this field," Bhattacharyya noted.

Asked how businesses from Sweden and Qatar could contribute to strengthening cultural ties and fostering mutual understanding, Bhattacharyya underscored commonalities between the two nations, describing them as smaller countries that have transitioned from subsistence level to export-led wealth. "Both peoples, Qataris and Swedes, were traditionally hardy, self-sufficient and very hardworking, affected by the often harsh climate and nature in both countries, so there is some kind of basic similarity in their inherited cultural substrata. Today, Sweden is a very hyper-modern, inno-



Swedish ambassador Gautam Bhattacharyya.

vative European country with fairly individualistic values. "Qatar, on the other hand, has a more family-oriented, collectivistic value. But still, or precisely because of the differences, there is ample space for collaboration in culture, sports and other areas" the ambassador explained.

According to Bhattacharyya, Qatar's acquisition of a major Turkish 18th century art collection "The Bibi Collection", formerly owned by Sweden, reflects linkages in traditional arts. However, he noted that unconventional synergies are also underway, such as interconnecting the Qatari, Indian, and Swedish film industries through a multi-nation co-production initiative. "It pays to think out of the box. It's not always just between Qatar and Sweden. Qatar is a great midway point between many geographies and with top-modern facilities here, allowing room for creative initiatives".

Moreover, the ambassador noted that Sweden's large Arab diaspora provides a bridge, evidenced by the prominent Malmo Arab Film Festival, one of the biggest Arab language film festivals in Europe, where Qatari films have received various awards and prizes.

Bhattacharyya also suggested opportunities for mutual learning with Sweden's approach to inclusive economic growth, citing Swedish expertise in adapting workplaces for those with special needs like autism. "Qatar and Sweden can learn together, especially in implementing new pedagogic methods and technologies for elderly people and children with special needs, such as autism. These are areas where Sweden has a strong focus.

